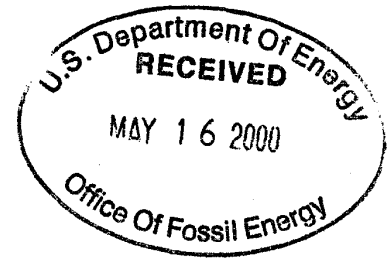


UNITED STATES OF AMERICA  
BEFORE THE  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY



H.Q. Energy Services (U.S.) Inc.

)  
) Docket No. EA 181-A  
)

APPLICATION OF H.Q. ENERGY SERVICES INC.  
FOR RENEWAL OF AUTHORITY  
TO TRANSMIT ELECTRIC ENERGY TO MEXICO

Pursuant to Section 202(e) of the Federal Power Act ("FPA") (16 U.S.C. § 824a(e)) and the Department of Energy ("DOE") regulations contained in 10 C.F.R. §§ 205.300 *et seq.*, H.Q. Energy Services (U.S.) Inc. ("HQUS" or the "Applicant"), hereby files this Application to renew its authority to transmit electric energy from the United States to Mexico for a term of five years. The DOE previously granted HQUS export authorization for Mexico on July 16, 1998. In accordance with Section 205.302 of the regulations, HQUS represents as follows:

(a) **Legal Name Of Applicant:**

The exact legal name of the Applicant is H.Q. Energy Services (U.S.) Inc. Its principal place of business is Airport Office Park Building Five, Second Floor, 345 Rouser Road, Coraopolis, Pennsylvania 15108. In an order dated November 12, 1997, the Federal Energy Regulatory Commission (the "FERC") authorized HQUS to engage in wholesale electric power and energy transactions at market-based rates. *H.Q. Energy Services (U.S.) Inc.*, 81 FERC ¶ 61,184 (1997). The FERC's order is attached to this Application as Attachment 1. HQUS is a power marketer which buys and sells power for its own account at wholesale pursuant to

voluntary contracts with its suppliers and its customers and engages in brokering and other activities permitted under its FERC authorization. HQUS does not own or operate any facilities for the generation, transmission or distribution of electricity in the United States or any other country, and neither HQUS nor any of its affiliates has a franchise or service territory for the transmission, distribution or sale of electricity in the United States.

**(b) Legal Name Of All Owners:**

HQUS is a wholly-owned indirect subsidiary of Hydro-Québec, which is an agent of the Crown in the right of Québec. Hydro-Québec is engaged in the generation of power from predominantly hydroelectric sources and the transmission, distribution and sale of such power to wholesale and retail customers within Québec. Hydro-Québec has adopted a transmission tariff substantially in the form of the *pro forma* open access tariff that the FERC issued in connection with Order Nos. 888 and 888-A. See *H.Q. Energy Services (U.S.) Inc.*, 79 FERC ¶ 61,152 (May 9, 1997).

**(c) Persons To Whom Correspondence In Regard To This Application Should Be Addressed:**

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Paul M. Charbonneau  
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Pierre F. de Ravel d'Esclapon  
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L.L.P.  
125 West 55th Street  
New York, New York 10019-5389  
(212) 424-8224 (telephone)  
(212) 424-8500 (fax)

Michael R. Godfrey  
H.Q. Energy Services (U.S.) Inc.  
Airport Office Park Building Five  
Second Floor  
345 Rouser Road  
Coraopolis, PA 15108

**(d) State Of Incorporation:**

HQUS is a Delaware corporation.

**(e) Government Agencies Having Jurisdiction:**

HQUS does not know of any other Federal, State or local government agency having jurisdiction over the actions to be taken under the authority sought in this Application.

**(f) Description Of The Transmission Facilities:**

HQUS seeks blanket authority to export electric power to Mexico as a power marketer over the existing cross-border facilities between the United States and Mexico which are listed in Appendix C to this Application. Appendix C provides the location of those facilities, their Presidential Permit numbers, and other identifying information.

**(g) Technical Discussion Of The Proposed Export Of Energy:**

Section 202(e) of the FPA and Section 205.302(g) of the DOE's regulations require a showing that the proposed export of electric energy (i) will not have an adverse impact on the exporter's reliability, fuel use and system stability; (ii) will not impair the sufficiency of electric power supply within the U.S., and (iii) will not impede or tend to impede regional coordination of electric utility planning or operation.

HQUS does not own or control any electric generation or transmission facilities and does not have a franchised service area or native load service obligations. HQUS has no electric power supply system on which the proposed exports could have a reliability, fuel use or system stability impact. HQUS will purchase the power to be exported from electric utilities and federal power marketing agencies, as those terms are defined in Sections 3(22) and (10) of the FPA, pursuant to voluntary agreements. By definition, such power is surplus to the system of the generator, and, thus, the electric power that HQUS will export, on either a firm or interruptible

basis, will not impair the sufficiency of the electric power supply within the United States and its transactions will not impede or tend to impede the regional coordination of electric utility planning or operation. *See, e.g., Enron Power Marketing, Inc.*, FE Docket No. EA-102 (Feb. 6, 1996); *NorAm Energy Services, Inc.*, FE Docket No. EA-105 (May 30, 1996).

HQUS will make all necessary commercial arrangements and will obtain any and all other regulatory approvals required in order to effect any power exports. All of the electricity exported by HQUS will be transmitted pursuant to arrangements with utilities that own and operate existing transmission facilities and will be consistent with the export limitations and other terms and conditions contained in the existing Presidential Permits and electricity export authorizations associated with these transmission facilities. HQUS will comply with the terms and conditions contained in the authorizations issued for these cross-border facilities as well as other export limitations that the DOE may deem appropriate, consistent with DOE orders authorizing exports of electric energy by power marketers. *See, e.g., Enron, supra.* HQUS will schedule its transactions with the appropriate control areas in compliance with the reliability criteria, standards and guidelines of the North American Electric Reliability Council ("NERC") and its member regional councils in effect at the time of export. HQUS will obtain all necessary transmission access over the existing facilities listed in Exhibit C for its exports and will comply with all applicable statutes, rules, regulations and orders of the FERC. The controls which are inherent in any transaction which complies with all NERC requirements and the export limits imposed by DOE on the transmission facilities listed in Exhibit C are sufficient to ensure that exports by HQUS would not impede the coordinated use of transmission facilities.

HQUS respectfully requests that the DOE utilize the reliability analyses performed in the most recent export authorization proceedings for the transmission systems listed in Exhibit

C in order to make the findings required to grant export authority to HQUS. HQUS respectfully requests that the DOE also find that, because the proposed exports would take place over existing international transmission lines, the requested authorization does not require the preparation of either an environmental impact statement or an environmental assessment pursuant to the National Environmental policy Act of 1969 ("NEPA").

HQUS proposes to comply with procedures similar to those imposed by the DOE in *Enron*. HQUS expects to enter into agreements with third parties which involve the export of electric power from the United States to Mexico. Prior to commencing (or continuing) the export of electric power under such agreements, HQUS will provide DOE with written evidence that sufficient transmission access to complete the export transaction has been obtained. HQUS will make and preserve complete records with respect to the electric power exported to Mexico and will provide DOE with quarterly reports within 30 days following each calendar quarter. The reports will show the gross amount of kilowatt-hours of electric energy delivered and the consideration received during each month of the previous quarter and the maximum hourly rate of transmission.

**(h) Verification:**

The signed verification of Christopher J. Anderson, President of HQUS, is attached to this Application.

**(i) Exhibits:**

The following exhibits are attached hereto in compliance with the Department's regulations (10 C.F.R. § 205.303):

Exhibit A: Not applicable at this time.

Exhibit B: Legal opinion of HQUS' counsel is attached.

- Exhibit C: List of transmission facilities to be used is attached.
- Exhibit D: Applicant's principal office is within the United States. Therefore, no domestic agent is required.
- Exhibit E: Neither HQUS' corporate relationship with Hydro-Québec nor any existing contracts relate to the control or fixing of rates for the purchase, sale or transmission of electric energy.
- Exhibit F: Not applicable.

Attachment 1: *H.Q. Energy Services (U.S.) Inc.*, 81 FERC ¶ 61, 184 (1997).

### CONCLUSION

WHEREFORE, HQUS respectfully requests that the Department grant this Application for a blanket authorization to export electric power in an expeditious manner on substantially the same terms and conditions that apply to similarly situated electric power marketers for a renewal term of no less than five years, which may be extended upon further application to the DOE

Respectfully submitted,



Pierre F. de Ravel d'Esclapon

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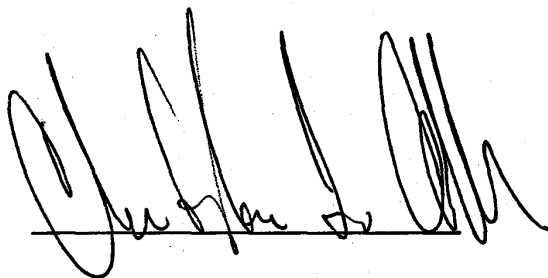
Counsel for H.Q. Energy Services (U.S.) Inc.

Dated: May 15, 2000

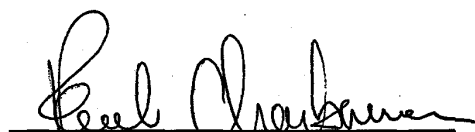
## VERIFICATION

### PROVINCE OF QUÉBEC

I, Christopher J. Anderson, president of H.Q. Energy Services (U.S.) Inc., being authorized to execute this verification and having knowledge of the matters set forth in the above Application of H.Q. Energy Services (U.S.) Inc. For Renewal of Authority To Transmit Electric Energy To Mexico, hereby verify that the contents thereof are true and correct to the best of my knowledge and belief.

A handwritten signature in black ink, appearing to read "Christopher J. Anderson", written over a horizontal line.

Signed and sworn to before me by Christopher J. Anderson this 12 day of May 2000.

A handwritten signature in black ink, appearing to read "Paul M. Charbonneau", written over a horizontal line.

Paul M. Charbonneau  
Lawyer of the Province of Québec

LEGAL OPINION

The following opinion is given in support of the Application of H.Q. Energy Services (U.S.) Inc., for authorization to transmit electric energy to Mexico, dated May \_\_, 2000.

- (1) I am an attorney at law, authorized to practice law in New York;
- (2) I am counsel to H.Q. Energy Services (U.S.) Inc.;
- (3) H.Q. Energy Services (U.S.) Inc., is duly incorporated, validly existing and in good standing under the laws of the State of Delaware;
- (4) H.Q. Energy Services (U.S.) Inc., has full corporate power and authority to buy, sell or act as a marketer or broker in the sale and exportation of electric energy as requested in this Application;
- (5) H.Q. Energy Services (U.S.) Inc., has taken all necessary action to authorize and direct its officers and agents to take all necessary steps to comply with all pertinent Federal and state laws in connection with the actions to be undertaken pursuant to this Application.



Pierre F. de Ravel d'Esclapon  
LeBoeuf, Lamb, Greene & MacRae, L.L.P.

Counsel to H.Q. Energy Services (U.S.) Inc.



**Exhibit C****TRANSMISSION FACILITIES**

<u>Permittee</u>	<u>Location</u>	<u>Voltage</u>	<u>Presidential Permit Number</u>
San Diego Gas & Electric	Miguel, CA	230 kV	PP-68
	Imperial Valley, CA	2-230 kV	PP-79
El Paso Electric Co..	Diablo NM	115 kV	PP-92
	Ascarte, TX	115 kV	PP-48
Central Power & Light Company	Brownsville, TX	138 kV	PP-94
	Brownsville, TX	69 kV	PP-94
Comision Federal de Electricidad	Eagle Pass, TX	138 kV	PP-50
	Laredo, TX	138 kV	PP-57
	Falcon Dam, TX	138 kV	None